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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN ITALY

DEPARTMENT OF STATE
Retain class'n ☐ Change / classify to
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EO 12958, Sec. 1.3 (a) (
FPC/HDR by RJ 6/29/ET
Withdrawal No. 4-3A
R Johnson 2-7-01

NIE-71

Published 31 March 1953

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff.

All members of the Intelligence Advisory Committee concurred in this estimate on 26 March 1953.

CENTRAL INTELLIGENCE AGENCY

APPROVED FOR RELEASE
DATE: SEP 2006

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PROBABLE DEVELOPMENTS IN ITALY

THE PROBLEM

To estimate probable Italian political and economic trends, rearmament efforts, and foreign policies, both short and longer range.

CONCLUSIONS

1. In the 1951–1952 provincial elections, the Italian center parties, particularly the Christian Democrats, suffered some losses to the left and larger losses to the right. Despite these losses the center coalition will probably poll a majority in the national elections tentatively set for 7 June 1953. If the coalition does obtain a majority of the popular vote, the new electoral law will give it two-thirds of the seats in the Chamber of Deputies.

2. The short-run outlook is thus for continuation of a center government, but we believe that the longer-range trend will be increasingly to the right. We believe that at some point the Christian Democratic Party, in response to this trend, will form a moderate right-center coalition.

3. Over the much longer run the continuing Communist threat, the divisions among Italian democratic forces, and the continued difficulty of coping with Italy's social and economic problems might lead a moderate rightist government to become more authoritarian and less parliamentary in its methods. However, we believe the emergence of another fascist regime unlikely.

4. Under present circumstances there is little likelihood of rapid and sustained Italian economic growth, of substantial emigration or of substantial reduction in the number of unemployed. Present plans for economic development will probably be adequate to maintain economic stability. However, these plans are not likely to produce an improvement in social and economic conditions sufficient to enable a center government, such as that now in office, to retain power indefinitely.

5. Communism's highly developed political and social organization in Italy has been weakened by defection and apathy over the past five years. Nevertheless, Communist strength probably remains greater in Italy than anywhere else in Western Europe. We do not believe that the Italian Communists will be able to gain control of the Italian State in the foreseeable future. However, in event of a Soviet invasion the Italian Communists would probably be able to disrupt lines of communication in Northern Italy and might be able to seize temporary control of key areas.

6. The cohesion of the Italian Communist movement is not likely to be seri-

ously impaired by the transfer of authority in the USSR, unless there should be a disruptive struggle for power within the Soviet Communist party.

7. Italy's military establishment has slowly improved with extensive US aid, but the Italian Armed Forces by themselves are presently capable of no more than a short-term delaying action in the event of a major attack. Even if US aid is continued at present levels, Italy will almost certainly be unable to meet its 1954 Lisbon NATO goals. Italy has the necessary industrial capacity and manpower, but it is unlikely that the government will be able to impose the sacrifices on the Italian people necessary to achieve these goals.

8. The Italian Government is a strong supporter of European integration measures, which it views as offering Italy prestige, security and material benefits.

9. While Italy is firmly committed to the NATO alliance, its inability to cope with its basic social and economic weaknesses and to meet its rearmament commitments will create continued problems for the US and Italy's other allies. For the foreseeable future Italy will remain one of the weaker members of the Western coalition and will rely heavily on continued US support.

10. Moreover, conflicts of interest between Italy and Yugoslavia, especially over the Trieste issue, will make political and military cooperation between these countries extremely difficult to achieve, and are potentially dangerous to the relations between Italy and the other Western Powers.

DISCUSSION

Probable Political Trends

11. Underlying Italy's perennial political and social problems is the fact that Italy is a poor country, lacking sufficient arable land or raw materials to provide for its population. Except for Spain and Portugal, it has the lowest standard of living in Western Europe; unemployment is endemic. Italy's population of 47,000,000 is larger than that of France, but its gross national product is only about half as great. Among the Western European democracies, only in Italy is the demand for land reform a serious national problem. A major division also exists between the relatively rich and republican-inclined North and the impoverished and monarchist-inclined South. Moreover, class lines in Italy are more rigid than most in Europe.

12. Since 1945 the Communists and their allies, the Nenni Socialists, have capitalized on Italy's underlying social and economic weaknesses and war-weariness to pose a major threat to Italy's democratic regime. In the 1948 national elections the Italian center parties, led by Premier De Gasperi's Christian Democratic (CD) Party and powerfully supported by Catholic Action, the lay arm of the Church in Italy, won a substantial victory over the Communist and Nenni Socialist bloc. However, in the 1951–1952 local elections the political extremes of right and left gained strength, while the center coalition won only 51 percent of the popular vote, as compared with 62 percent in the 1948 national elections. The Communists and Nenni Socialists increased their proportion from 31 to 35 percent, and the Monarchists and Neo-Fascists from 5 to 12 percent.

13. This decline in the center position is attributable mainly to these factors:

a. In 1948 many persons of highly conservative and nationalistic leanings were fright-

ened into supporting the Christian Democrats in a united front against Communism; Czechoslovakia had recently fallen to the Communists and there was fear that Italy might be next. Many of these people are now returning to their true political allegiance and voting for the Monarchists and Neo-Fascists; moreover, many are dissatisfied with De Gasperi's failure to take stronger anti-Communist measures or to press Italian national interests more successfully, especially in Trieste;

b. The continuing high level of unemployment has increased the number of people, especially young people, who have no incentive to support the present government and who are attracted by the promises of Communism and Fascism;

c. The poverty, poor soil, peasant land-hunger, and high unemployment of southern Italy (for which the historic outlet through emigration has been greatly narrowed) make this area a fertile field for extremist agitation. In the 1951–1952 elections both left and right extremes made their greatest gains in south and south central Italy;

d. There has been the normal loss of votes suffered by any government long in office, magnified by the characteristic antipathy of Italians for the government in power.

14. Faced with these losses to the right and left, the Christian Democrats and their center allies (the Liberals, Republicans, and Social Democrats) have formulated a new electoral law designed to insure them an effective working majority in the Chamber. Under the new law whatever linked group of parties gets a bare majority of the national vote in the approaching national election will automatically be allotted two-thirds of the Chamber seats.[1] If no group succeeds in polling a majority, the seats will be distributed proportionately as at present.

15. *Probable Outcome of the Election.* Should the center coalition fail to win a majority in the coming election, it will be extremely difficult to form a government. With at least one-third of the Chamber tightly organized into a hostile left bloc and perhaps one-sixth composed of Monarchists, Neo-Fascists, and other rightist elements, De Gasperi would either have to call new elections or broaden his coalition to the right. He would be likely first to attempt a coalition taking in the Monarchists; if that failed because of Social-Democrat objections, he might drop the Social-Democrats in favor of the Monarchists.

16. We estimate, however, that the center coalition will poll a majority of the popular vote, even though the Communist and Nenni Socialist bloc will probably retain part of its 1951–1952 gains and the rightists may even exceed their 1951–1952 vote. Should the center group win this majority, the Christian Democrats would again form a government which would seek to continue the programs and policies presently pursued by De Gasperi.

17. *The Longer-Term Outlook.* Although the short-run outlook is thus for continuation of a center government, we believe that the longer range trend in Italian politics will be increasingly toward the right. Italy is a bitterly poor country, a country of divisions rather than unity, of extremes rather than moderation. These circumstances, together with the basic social and economic problems faced by any government, and the ever present threat from the left, make the task of the CD-led center government a difficult one indeed. The Christian Democratic Party itself is heterogeneous in its composition; its various groups are held together on a center line primarily by their common enmity to Communism, by Catholicism, and by De Gasperi's firm control and leadership.

18. De Gasperi is now 72. Another leader might be able to maintain a centrist coalition; the CD party might even come under a leader oriented more to the left. It is possible that some combination of favorable external developments — satisfactory international trade conditions, large-scale emigration, continued US aid — might enable a center coalition to continue in power for some time.

[1] These seats will be distributed proportionately among the winning parties; the remaining third of the seats will be left for distribution proportionately among the other parties.

However, a center coalition is unlikely to retain power indefinitely unless it is able to effect a substantial improvement in social and economic conditions. We do not believe that the center coalition, pulled in opposite directions by its own conservative and reformist factions, will be able to act with the vigor and unity essential for the achievement of such improvements.

19. Under these circumstances the appeal of the rightist parties, with their slogans of nationalism, economic revival, and stronger action against Communism, is likely to increase. This growth of rightist sentiment would give impetus to the divisive forces within the center bloc and encourage the right-wing elements within the CD party to even more vigorous opposition to social and economic reform. The basic enemy of the Church and of the CD party is on the left, not the right; neither views the right as its chief opponent. An alliance between the center and the Communist-Nenni Socialist bloc appears impossible; an alliance between the center and the right against the left presents no insuperable difficulties.

20. Consequently, in time the CD party will probably modify the present center coalition in favor of a coalition further to the right. This first step toward the right would probably be the creation of a moderate right-center coalition including the Monarchists. When this development might take place cannot be estimated; much may depend on external factors beyond Italian control.

21. Over the much longer run, the continuing Communist threat, the divisions among Italian democratic forces, and the continued difficulty of coping with Italy's social and economic problems might lead a moderate rightist government to become more authoritarian and less parliamentary in its methods, perhaps along lines similar to the Salazar regime in Portugal. We cannot estimate that such an evolution will eventually take place, but the possibility cannot be ignored as a long-range development. However, we believe that the memory of the disasters which overwhelmed Italy under Mussolini will prevent the emergence of another fascist regime.

Communist Strength and Capabilities

22. Communism's highly developed political and social organization in Italy has been weakened by defection and apathy over the past five years. Party membership is now estimated at 1.7 million, a drop of over 20 percent from its postwar peak in 1947–1948. More significant, membership in the Communist-dominated trade union federation has declined from an estimated 6 million in 1947–1948 to about 3.5 million. About one and a half million have withdrawn into two non-Communist unions and about an equal number have dropped union membership. Although the non-Communist unions have not seriously challenged Communist leadership of organized labor, Communist capabilities for exploiting labor for political purposes have been considerably reduced. Communist paramilitary and sabotage capabilities have also probably been reduced, especially because of the growth in strength and efficiency of the Security Police. Although there are still many Communists among the conscripts in the armed forces, vigorous and apparently successful efforts have been made to remove Communists from the officers corps. We do not believe that the Italian Communists will be able to gain control of the Italian State in the foreseeable future, either legally or by force of arms.

23. Nevertheless Communist strength probably remains greater in Italy than anywhere else in Western Europe. The Communists are still particularly strong in the heavy industries and in the transport and communications systems of Northern Italy. Moreover, substantial caches of small arms probably still remain in Communist hands despite extensive confiscations by the police. In the event of a Soviet invasion at least during the next few years, the Italian Communists would probably be capable of seriously disrupting lines of communication in Northern Italy and might also be able to seize temporary control of key areas. Soviet operations would also be aided by Italian Communist espionage and sabotage.

24. Despite the decline in party membership, Communist electoral support remains great. The basic causes are the absence of any other strong protest party, and the relatively moderate tactics which the Communists have pursued. The political appeal of the Communists lies in their ability to exploit the economic grievances, land-hunger and anti-war sentiment of large segments of the population. Communist political strength is enhanced by the party's close alliance with the Nenni Socialist party, which still contains about two-thirds of Italian Socialists, and contributes over one-third of the electoral strength of the Socialist-Communist alliance. A break between the Communists and the Nenni Socialists, or an appreciable part thereof, might check the drift of Italian politics to the right and make possible a left center coalition government. However, such a break now seems unlikely. The Communists and Nenni Socialists may present separate electoral lists at the next election, but this would represent only a tactical move designed to attract non-Communist votes.

25. The cohesion of the Italian Communist movement is not likely to be seriously impaired by the transfer of authority in the USSR, unless there should be a disruptive struggle for power within the Soviet Communist Party.

26. The Italian Government is likely to apply stronger repressive measures which will further reduce Communist effectiveness. Against such measures the Communists would probably emphasize "unity of action" tactics and might gain some support from the moderate left. The Communists will also seek to strengthen the underground apparatus, and have considerable potential for doing so. Should the Communists be officially proscribed, their influence would be significantly reduced, though their underground apparatus would quickly expand unless it, too, were vigorously rooted out. Proscription seems unlikely, however, so long as large numbers of Italians look upon the Communist party as a democratic political party rather than as a subversive organization.

Probable Economic Trends

27. Italy is deficient in almost all basic resources save manpower and hydroelectric potential. Over 90 percent of its coal, most of its oil, half its iron ore, nearly all its textile fibers, and even a considerable proportion of its wheat must be imported. Thus, Italy is highly dependent on foreign trade and tourism and very sensitive to international economic fluctuations. Indeed its future as a nation with free institutions may ultimately depend upon the achievement of a high and stable level of foreign commerce, and the reduction of restrictions on the international movement of capital and labor. In part because European integration would assist greatly in establishing these conditions, the Italian Government strongly advocates European political and economic union.

28. Despite the retarding of its industrial development by its inadequate natural resources, Italy has had a substantial postwar recovery, achieved with US assistance. However, Italy's basic economic problems — the low rate of capital formation, chronic unemployment, and low productivity compared with other Western European economies — remain unsolved.

29. These problems are intensified by various institutional weaknesses in the Italian economy, notably: (1) the inefficient operations of numerous state-owned productive enterprises; (2) large-scale state subsidization and protection of inefficient private enterprises; (3) the forced retention of excess labor on farm and factory payrolls; (4) an inflexible price structure resulting from monopolistic business organization and restrictive practices; and (5) an inefficient tax system which, together with large-scale tax evasion, limits government ability to mobilize resources by non-inflationary means. These factors have discouraged technological efficiency and result in the misuse of the limited savings generated by the economy. Corrective measures would require a strong and efficient government and would involve painful readjustments. Therefore, we believe it unlikely that

any center or moderate right government will be willing to undertake a general program of extensive institutional reforms.

30. The highly conservative monetary and credit policies pursued by the postwar Italian Government also have tended to restrict economic expansion. These policies have succeeded in restoring a measure of financial stability, but at a low level of economic activity. Believing avoidance of inflation to be more important than expanded investment and full employment policies, the government has restricted private credit, kept budget deficits relatively low, and sharply limited public investment. The government has instituted development programs and land reform, particularly in the South, which it considers costly and extensive. However, these are unlikely to effect a decisive improvement in the condition of the country as a whole.

31. There is little likelihood that the Italian Government over the next several years will markedly change its conservative attitude and undertake large-scale investment programs designed to increase productivity and reduce unemployment. It fears that such programs would generate inflationary pressures which would be a greater threat to political and social stability than the present lack of economic growth. In any case, many years would be required before even large-scale development programs could be expected to overcome Italy's basic economic problems. The pressure of unemployment will probably force the government to undertake some additional public investment, but it will do so cautiously and on a piecemeal basis. The government will continue to look for an escape from its economic difficulties primarily through continued US aid, increased emigration, and European economic integration.

32. While Italy will probably be able to maintain economic stability, it is probable that there will be a relatively low rate of economic growth over the next decade. The average annual rate of growth is unlikely to exceed 2 percent. Most of this new increment will probably go into consumption, leaving only a small portion for defense and investment.

Probable Trends In Italian Rearmament

33. Italy's military establishment has slowly (but steadily) improved with extensive US aid, and Italy came close to meeting its Lisbon NATO commitments for 1952. However, the Italian Armed Forces by themselves are presently capable of no more than a short-term delaying action in the event of an attack by a major opponent. Morale and training of the armed forces are considered fair to good. Since 1950 the Army has improved in combat readiness; however, it is incapable of sustaining large-scale operations because of inadequate division and higher unit training, ammunition deficiencies, and a logistic system of doubtful effectiveness. The Army has about 255,000 men in 13 divisions, 3 Alpine brigades, and numerous independent units. The Air Force, with about 32,000 officers and men, has 175 jet fighters. It is currently incapable of fulfilling its air defense or ground support responsibilities. It is being re-equipped with US end-item aid, but its small number of modern aircraft and relatively small appropriations are serious obstacles to its development. The Navy of about 36,000 officers and men is an unbalanced fighting force of relatively low combat-readiness. It does, however, have appreciable capabilities for patrol, escort, minesweeping, undersea warfare and similar tasks, and is now being modernized and reconstituted in order to improve these capabilities for combined operations under NATO.

34. Even if US aid is continued at present levels, Italy will almost certainly be unable to meet its 1954 Lisbon NATO goals of 16-1/3 divisions by M+30, 852 aircraft in operational units, and a naval contribution of 16 major and 48 minor M-day naval units and 15 naval aircraft. Italy has the manpower and industrial capacity to more than meet these objectives. Given the raw materials and more efficient production methods, Italy could produce many of its own arms requirements and provide equipment for other NATO members. The chief difficulty lies in Italy's apparent

inability to provide the budgetary resources to mobilize this capacity, while still meeting other economic demands. Italy has many competent scientists and an extensive organization for controlling and directing military and industrial research. However, inadequate facilities and a lack of funds have thus far prevented Italy from being a major contributor to Western military research and development.

35. In view of the probable lack of rapid economic growth and probable government unwillingness to undertake what it would consider to be inflationary financing, we believe that Italy is unlikely to increase its 1953–1955 defense outlays much above the level reached in 1952. The outlook is for stabilization of Italy's annual defense outlays at slightly less than one billion dollars, or about 5½ percent of GNP, over the next several years. Such outlays will almost certainly be insufficient to meet the Lisbon NATO goals.

Italian Foreign Policies

36. Italy's basic foreign policies are to: (a) maintain security; (b) solve Italy's pressing social and economic problems through foreign assistance and European integration; (c) improve Italy's status and prestige in world affairs; and (d) increase its influence in the Adriatic and regain some of its lost territory in the Trieste area. The Italian Government recognizes that the above policies can be realized only if Italy is a part of a larger Western coalition supported by the US.

37. Italy hopes through membership in NATO and European institutions not only to obtain greater security and avoid war, but also to: (a) secure continued US military and economic assistance; (b) obtain freer access to raw materials and increased trade outlets; (c) facilitate greater mobility of labor in Europe and increase Italy's emigration outlets; and (d) secure support for Italy's own national interests in the Adriatic and Mediterranean areas. The Italians are particularly interested in promoting greater European integration, which they view as offering Italy prestige, security and material benefits. Italy's interest in the EDC is secondary to its desire for greater European political and economic unity, but it is almost certainly willing to ratify the EDC.

38. Italy's adherence to NATO and to European institutions is supported by all centrist political parties and by the Vatican, which views the growth of Western strength and unity as an essential bulwark against Communism. Even a rightist and nationalist government would probably feel compelled by self interest to remain aligned with the Western coalition.

39. However, we believe that future Italian governments will be more insistent in their pursuits of strictly Italian national interests, and will raise difficult problems for Italy's allies. Although most Italians are apparently reconciled to the loss of their colonies, Italy will probably seek to re-establish its economic influence in Africa and the Eastern Mediterranean. Above all, there is strong nationalist feeling on Adriatic questions, particularly Trieste.

40. At least so long as the Trieste issue remains in its present state, it will hamper NATO defense planning in the area. Italy will strongly object to ties between Yugoslavia and NATO and to more extensive US aid to Yugoslavia. De Gasperi has emphasized that Italo-Yugoslav political and military cooperation will be impossible until the Trieste issue is resolved. At the same time, the Trieste issue represents a political barrier to Italian participation in the friendship and military collaboration pact recently signed by Yugoslavia, Greece, and Turkey, even though Italy almost certainly would like to gain membership in this entente. From the Italian viewpoint such an entente without Italian participation would be a blow to Italian prestige and might adversely affect Italy's Adriatic and Eastern Mediterranean interests.

41. Thus the Yugoslav-Greek-Turkish rapprochement, together with the political liability which the Trieste issue in its present state represents internally, makes some Trieste adjustment highly desirable to the

Italian Government. In the longer run, Italy might also seek to regain additional Adriatic territory lost under the peace treaty. Other frictions between Italy and Yugoslavia, as well as between Italy and its NATO allies, would result from any developments in Albania which adversely affected Italian interests.

Implications for the US

42. While Italy is firmly committed to the NATO alliance, its inability to cope with its basic social and economic weaknesses and to meet its rearmament commitments will create continued problems for the US and Italy's other allies. For the foreseeable future Italy will remain one of the weaker members of the Western coalition and will rely heavily on continued US support. Moreover, conflicts of interest between Italy and Yugoslavia, especially over the Trieste issue, will make political and military cooperation between these countries extremely difficult to achieve and are potentially dangerous to the relations between Italy and the other Western Powers.